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ABSTRACT

An Enterprise Zone Working Group brought together enterprise zone directors, Job Training Partnership Act (JTPA) program administrators, and private industry council representatives from the state and local levels. It discussed ways in which employment and training programs could better coordinate with development activities in enterprise zones. Some participants felt that leadership from the state and good working relations between the state and local programs were critical to the success of local zone programs. Many said that having one office as the central coordinator of all zone activities was an important factor in linking programs. Marketing was felt to be one of the most important functions for both enterprise zone and training programs and one of the key functions that should be coordinated. Important incentives to coordination that were cited included state and local incentives designed to attract businesses to the enterprise zones and strong political leadership at the state and local levels. Disincentives to coordination in enterprise zones included the separate development of economic development and employment and training agencies and the threat that employers see in "first source agreements." (The Working Group offered suggestions for the facilitation of coordination.) (YLB)

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A Working Group Discussion

March 1987

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ENTERPRISE ZONES AND JTPA:

A WORKING GROUP DISCUSSION

INTRODUCTION

An Enterprise Zone Working Group was held on July 23, 1986, that brought together nine enterprise zone directors, JTPA program administrators, and PIC representatives from the state and local levels. The purpose of the Working Group was to discuss ways in which employment and training programs could better coordinate with development activities in enterprise zones. The Working Group was convened by the National Alliance of Business (NAB) and the National Association of State Development Agencies (NASDA), as part of the "Strengthening the Link" project funded by the Economic Development Administration.

This brief paper is a companion piece to the paper entitled, "Enterprise Zones and JTPA: Coordination in Eight States and Ten Cities." The paper presents some coordination issues and how they have been addressed by the cities and states represented at the Working Group. More detailed information on individual zones can be found in the report that this paper accompanies.

Participants in the Working Group were asked to write one to two-page papers that addressed coordination issues including: linkage mechanisms, effective private sector participation, the role of community-based organizations, joint activities, state and local relations, overcoming obstacles to coordination, and other subjects that were later discussed at the Working Group meeting. Selected parts of the issue papers as well as discussion from the meeting appear in this paper. The statements, conclusions and recommendations presented here reflect the views of some Working Group participants, but not necessarily all of the participants.

Participants in the Working Group were: Sara Bell, Enterprise Coordinator, Kentucky Department of Economic Development, Frankfort, KY; Don Delaney, Planning Manager, Florida Department of Community Affairs; Tallahassee, FL; Ann Grieco, Director, Mayor's Office of Employment and Training, Chicago, IL; Priscilla Howard, Community Assistance Specialist, Florida Department of Community Affairs, Tallahassee, FL; Calvin Jackson, Director, Office of Economic Development, Plainfield, NJ; Joseph James, Deputy Director, Department of Commerce, Philadelphia, PA; Jacqui Shohlom, Program Manager, Department of Planning and Economic Development, St. Paul, MN; Fitcher Weathington, Enterprise Zone Analyst, Department of Commerce and

Community Affairs, Springfield, IL; Rafael Zabala, Project Development Officer, Newark, NJ. In addition, Robert MacBain, Executive Vice President, Connecticut Chamber of Commerce, New Britian, CT, submitted an issue paper, although he was unable to attend the Working Group meeting.

COORDINATING HUMAN RESOURCES IN ENTERPRISE ZONES

ORGANIZING:

Working Group participants from some states felt that leadership from the state and good working relations between the state and local programs were critical to the success of local zone programs. Ann Grieco of Chicago said that, "merging the economic development and employment and training programs at the state level was important in facilitating linkage of those programs at the local level and particularly in enterprise zones." In Illinois, coordination of JTPA with state development incentives is facilitated at the state level, through the State Department of Commerce and Community Affairs, which administers both the Economic Development Department and the Employment and Training Department. In addition, there is a "Development Subcabinet" in Chicago that coordinates development efforts at the Commissioner level. The Subcabinet includes the Commissioners of Development, Employment and Training, Housing, Budget, Corporation Counsel, and the Mayor's Office. Thus, coordination is initiated at a policy and strategic planning level in the state and the city. The corresponding structure at the state and local levels facilitates good working relationships between state and city economic development and employment and training programs. One way this translates into action, on a practical and functional level, is through team marketing of city and state enterprise zone incentives. Both the city and state have economic development, and employment and training field staff who work together daily with businesses in the zones and who market zone incentives.

Kentucky also coordinates its economic development, employment and training, and education programs at the state level. Since the early 1960's, Kentucky's Department of Employment Services has worked closely with the state's vocational-technical schools, community colleges, and other educational institutions, as well as economic development. Sara Bell, State Enterprise Zone Coordinator, said that, "Governor Collins has made education and training reform a companion commitment to economic development." Ms. Bell stated that Kentucky is placing new emphasis on job training and its relationship to economic development through its state enterprise zone program.

On the local level, economic development task forces are used as effective coordination mechanisms. For example, in Plainfield, New Jersey, a committee composed of representatives, "from all agencies and entities that impact economic development" meets every month to discuss projects in planning or development stages. Fitcher Weathington said that this is an effective way of networking and getting things done, "if you need assistance, you can make it known there." Enterprise Zone administators in Plainfield also are considering creation of Enterprise Zone Business Councils that will involve public program administrators, elected officials, community organizations, the media, and "everyone in town who could conceivably impact on enterprise zones." They feel that this would serve as an effective networking and marketing tool.

Many Working Group participants said that having one office as the central coordinator of all zone activities is an important factor in linking programs. Rafael Zabala said that in Newark, "one-stop shopping" is the most important aspect of their zone program. A business that is considering locating in Newark's enterprise zone can go to one place -- the Newark Economic Development to receive comprehensive information on all zone incentives and benefits.

Community-Based Organizations (CBO's) also have been used effectively as coordinating agents in many cities. Philadelphia particularly uses them effectively. Philadelphia's Job Resource Centers serve as "one-stop shops" for businesses interested in locating in enterprise zones. Moreover, enterprise zone business associations in Philadelphia are used as an important marketing resource. Philadelphia found that, during a major industrial relocation effort, the zone business associations were cited by businesses as the second most important factor in convincing manufacturers to locate in enterprise zones.

Kentucky also has established zone business associations in about half of its zones. The associations meet about every two months with the mayor and cabinet members attending. The association meetings provide an opportunity for enterprise zone businesses to bring problems and issues before the mayor and program administrators. The meetings also serve as a good networking mechanism between the private and public sectors and among the businesses located in the zone.

Chambers of Commerce also are important in many communities. In Philadelphia, the Chamber works with the enterprise zones in lobbying the state for funding. In Chicago, the Chamber uses part of its CDBG money to conduct some marketing activities for the enterprise zones. And in Louisville, Kentucky, prospective enterprise zone clients are taken to the Chamber of Commerce for a marketing presentation on the zones.

Foundations in St. Paul, Minnesota have played a major role in organizing and providing enterprise zone incentives. Until recently, some local foundations paid part of a new employee's wage for a specified period of time, if the employee had been unemployed and had exhausted all of his/her benefits. This gave the zone administrators additional employment incentives and provided more flexibility in dealing with employers. The program began when the local employment and training agency solicited help from the foundations to fill a gap in unmet needs for the unemployed who were not eligible for JTPA. The foundations funded the additional employment incentives for two years, and then successfully lobbied the state legislature to continue funding the program through a state program. The program is now funded through permanent legislation.

COORDINATION IN PRACTICE:

The Working Group participants felt that marketing was one of the most important functions for both enterprise zone and training programs, and one of the key functions that should be coordinated. Most of the cities represented at the Working Group had brochures and other information that presented both development and employment incentives. In some cases, such as in Chicago, the marketing materials were developed jointly by all key programs functioning in the zones. This was coordinated through the city Commissioner's Office. The theme of their marketing effort, "Chicago Works Together," which appears on brochures and various other materials, is testament to their emphasis on coordination. Newark and other cities also have produced marketing materials through a central coordinating agency, such as an Economic Development Corporation. The materials present all zone incentives including state and federal employment programs and local development programs.

Coordinating direct marketing was considered a top priority by many Working Group participants. Illinois assigns state marketing representatives from the Department of Economic Development to help local employment and training and economic development staff market their programs. The marketing representatives, "are right out there, marketing employment and training with the other incentives," said Ann Grieco of Chicago.

Philadelphia conducts many of its marketing activities through the zone business associations. Joseph James of the city's Commerce Department felt that the associations have been used as very effective marketing vehicles. For example, when the city was building a downtown convention center and had to relocate several manufacturers, the zone business associations were instrumental in convincing the businesses to move to enterprise zones. Mr.

James said that, "an important marketing tool is getting business people to talk to other business people."

Enterprise zone administrators in Springfield, Illinois, are trying to organize "Enterprise Zone Days" as a marketing technique. These semi-annual conferences would bring together all of the public and private players in the zone -- economic development, employment and training, education, financial institutions, and others to present incentives to prospective zone businesses. Fitcher Weathington said that they also will invite the press, and use the conferences as a part of a broad public relations campaign.

Most of the city and state representatives at the Working Group also stressed the importance of informal networking as a marketing technique. Rafael Zabala of Newark said that they have found that, "the best marketing method is to offer the right incentives and then encourage 'word-of-mouth' from business-to-business."

Working Group participants felt that other factors, in addition to direct development or employment factors often are not focused on, but can be critical to enterprise zone development. These include: housing; human services, particularly day care; safety and security; and other environmental considerations. One city representative cited transportation to the enterprise zone at night as a major problem. The representative said that transportation has become an important issue to current and prospective zone employers. The city is trying to remedy the problem by generating a grant for a local organization to transport workers after certain hours.

Safety also was discussed as a critical factor that must be considered in developing zones. Philadelphia, in order to help make its zones safer, has implemented security rebates as part of its commercial revitalization. The rebates pay up to one-third, but no more than $5,000, of a business' security investment. Joseph James cited this program as, "probably the most utilized program in the zones," and said that it has been highly successful in the zones' commercial districts.

The physical environment -- how buildings, streets, and houses appear -- also was cited as a major factor in marketing the enterprise zones. Working Group participants stated that an enterprise zone where there is trash, graffiti, delapidated buildings, and where it appears unsafe, will not be able to be marketed. "As intangible as (environmental factors) might be," said one participant, "they are important marketing factors." Joseph James of Philadelphia said, "that these things send a signal to the business person that

the area is under control or not under control -- that their property is not going to be robbed or defaced."

Many of the cities represented at the Working Group have developed programs to improve the zone's physical environment. In Illinois, there is "shop-steading" of public- owned properties. The state will provide a shop or other non-residential property free, if the prospective owner is willing to rehabilitate it. They then can sell the property and make a profit or use it for their own commercial purposes. Illinois also has a homesteading program that encourages rehabilitation of residential property in distressed areas.

Most of the Working Group participants agreed that one of the most important aspects of operating enterprise zones is to be innovative -- to look at what needs to be done, whether that concerns employment incentives, the physical environment, or other factors -- and to try to identify and target as many different resources as possible. And where the resources do not exist, to create them. For example, the Kentucky Economic Development Administrators convinced their state Revenue Cabinet to expand the interpretation of the sales tax in a manner that would encourage people in the zones to rehabilitate houses. They also signed a "no-strike" agreement with the labor unions, and convinced the unions to donate four days of labor to renovate houses in the enterprise zones. As a result, the unions and the enterprise zones gained a lot of good will and public relations. Some of the other innovative activities already mentioned, such as "shopsteading" in Illinois; safety rebates in Philadelphia; and employment incentives supported by foundations in St. Paul; have helped create successful enterprise zones in those areas. As Sarah Bell stated, "the purpose of enterprise zones is to target resources and try new things."

INCENTIVES AND DISINCENTIVES TO COORDINATION:

Working Group members felt that some of the most important inducements to coordination were the state and local incentives designed to attract businesses to the enterprise zones. The extent to which the incentives encourage coordination depends on their "job creation" emphasis, and on the criteria used to determine businesses' eligibility to receive the benefits. The greater the emphasis on job creation, the more incentive there is to coordinate with employment and training programs. Moreover, in cases where states or local governments require businesses to hire a specific percentage of disadvantaged persons, and particularly where JTPA clients are targeted, there is an added incentive for enterprise zone administrators to reach out to employment programs and other programs that serve the targeted populations. The closer

the zone criteria is to matching JTPA eligibility criteria, the more incentive there is to coordinate programs.

Illinois is one of the states that emphasizes job creation, and targets JTPA clients through its enterprise zone incentives and business eligibility criteria. Fitcher Weathington, Enterprise Zone Analyst in Springfield, describes the state incentives and the eligibility criteria related to employment and training: Among the goals of the State of Illinois' enterprise zone program is "job creation." The state incentives that include the Enterprise Zone Training Fund Program, the Job Tax Credit and the eight percent Economic Development Set-Aside have been used in linking economic development and employment and training programs. The Illinois Department of Commerce and Community Affairs (the administrative entity for the state enterprise zone program) established the Enterprise Zone Training Fund (EZTF), and financed it through a discretionary grant under Title III of the Job Training Partnership Act, for use in any of the 46 certified enterprise zones. The EZTF is used to pay half of the cost of on-the-job training and all classroom training that is required to enable dislocated workers to be hired for jobs in the enterprise zones. Only businesses that are expanding or locating in enterprise zones are eligible to receive these benefits. Eligibility is determined by the local JTPA grantees of the Illinois Department of Commerce and Community Affairs. The EZJTC also offers employers a tax credit on Illinois income taxes if they hire individuals who are certified under JTPA Titles II or III. In addition to the general JTPA eligibility requirements, the following must be met:

- The employer must hire a minimum of five eligible employees;
- The employer's total employment within the enterprise zone must increase by five or more full-time employees beyond the total employed in the zone at the end of the previous tax year for which a job tax credit was taken; and
- The eligible employees must be employed 180 consecutive days for 30 or more hours per week.

To enhance the efforts of job creation, the Illinois State Board of Education and the Illinois Community College Board also have designated a portion of their eight percent Economic Development Set-Aside for use in enterprise zones. The same eligibility requirements for the EZTF program must be met under this program.

Although the Illinois program is particularly strong, and incorporates more incentives to coordinate with human resource programs than most, other

states represented at the Working Group have some similar incentives and criteria.

Working Group participants also cited strong political leadership at the state and local levels as important catalysts to coordinate programs. The Governor's interest and direction was cited as a key factor in stimulating linkages in Kentucky, Illinois, and other states. Moreover, leadership from the mayor and local policy directed toward coordination, can be important factors in forming enterprise zone linkages. In Chicago, Mayor Harold Washington's leadership and direction encouraged a comprehensive approach to economic development and human resource programs. The Mayor, shortly after entering office, created a "Development Subcabinet" to coordinate economic development programs with other related programs. Former Mayor Kenneth Gibson of Newark, NJ and Mayor Wilson Goode of Philadelphia, Pennsylvania also have provided strong direction that has encouraged coordinated approaches to economic development in enterprise zones. Working Group representatives from these states and cities felt that "top-down" driven coordination was one reason for the success of their enterprise zone programs.

There are several disincentives to coordination in enterprise zones, some of which can be minimized through effective communication, others that may require rethinking and restructuring programs and relationships. Working Group members said that often legislation directed at goals common to both economic development and employment and training programs, have not been translated into institutional realities at the local level. Working Group members said that economic development offices and employment and training divisions at the local level are rarely integrated organizationally, and often have developed on parallel, but separate tracks. Because the programs have developed separately, economic development and employment and training agencies may not know about each others activities and may not be fully aware of the extent to which their programs complement each other. Moreover, although economic development and training programs have some overlapping goals, they often perceive that their programs serve different clients. Enterprise zone administrators view businesses as their clients, while human resource administrators traditionally view disadvantaged people as their clients.

Economic development professionals sometimes feel as though they are working at cross purposes with employment and training administrators. A common example of this is the use of "first source agreements." These agreements are often binding, and require businesses in enterprise zones to hire a certain number of JTPA or other disadvantaged clients in order to qualify for zone benefits. The agreements have been used as effective tools by

employment and training administrators, and have been one focus of employment and economic development linkages. However, some economic development professionals view first source agreements and other attempts to require zone businesses to hire disadvantaged clients as a problem in marketing the zones. Jacqui Shoholm of St. Paul addressed this point: "written agreements are a necessary part of any formal and serious relationship; yet written agreements for employment, commonly called 'first source agreements,' are often viewed by the developer and employer as legally binding and therefore threatening. They also represent the dreaded 'paperwork'."

Employment and training programs, in general, are often viewed by businesses, particularly small businesses, as adding paperwork and red tape. This perception of the programs sometimes discourages businesses from taking full advantage of employment and training incentives in enterprise zones. Economic developers are sensitive to this, and at times are apt to "protect" businesses from public programs that might inhibit them from locating or remaining in an enterprise zone. Jacqui Shoholm said that employment and training professionals must be sensitive to this perception when working with economic development professionals and businesses. She said that it has been her experience in St. Paul that, "businesses doing business with any government entity will cite "red tape" as a major disincentive to cooperation, sometimes in spite of economic subsidies. Economic development and job creation specialists must anticipate this point in their marketing efforts, and combat red tape in the processes they establish for recruiting, training, and referring qualified applicants."

CONCLUSIONS AND RECOMMENDATIONS

Enterprise zones provide new opportunities to target and coordinate human resource and economic development programs. As Robert MacBain of the Connecticut Chamber of Commerce put it, "when (employment and training and economic development) are coordinated from the beginning . . . the total impact is truly 'greater than the sum of its parts'."

Private Industry Councils and JTPA programs are beginning to look for new ways to link with economic development activities in enterprise zones. And enterprise zone administrators are beginning to realize the benefit of using training incentives and coordinating their activities with human resource programs to achieve common objectives. As Sarah Bell, Enterprise Zone Coordinator for Kentucky stated, "tax incentives offered to businesses in enterprise zones are not going to be as important as in the past . . . businesses

demand a well-trained workforce . . . In the future, we will need more, better, and different types of training to offer to businesses in the zones."

Employment and training administrators, when working with economic development professionals, must always keep in mind that businesses, not the disadvantaged, are the economic development agencies' clients. Enterprise zone administrators' primary goal is to encourage businesses to locate in enterprise zones. Zone administrators will offer training incentives only if they strengthen the overall incentive package to businesses. That is, where the training incentives meet the actual needs of the employers, and where training programs are not burdensome to zone businesses.

Some of the enterprise zones represented by the Working Group have successfully coordinated employment and training programs with economic development activities in their zones. These states and cities have facilitated coordination by:

- providing legislative or administrative mandates that call for coordination and/or hiring of the disadvantaged in order for businesses to qualify for zone benefits;
- placing employment and training departments and economic development departments together under one agency;
- assigning a broker or liaison between development and human resource programs;
- organizing task forces or "cabinet level" groups that approach enterprise zone planning and operations in a comprehensive manner;
- structuring a central agency, such as an economic development corporation, that can provide "one-stop-shopping" to prospective zone businesses;
- supporting business associations in the enterprise zones;
- sponsoring meetings that bring together enterprise zone businesses with other key players in the zones;
- developing joint marketing materials that provide employment and training incentives with other state and local incentives; and,

- mandating or encouraging joint marketing calls to employers.

In addition to the factors listed above, Working Group participants offered other suggestions to enterprise zone and human resource administrators:

- Enterprise zones can be used to experiment with innovative development and human resource ideas. They provide relatively sophisticated and concentrated "laboratories" in which new and coordinated approaches can be tested.

- Networking is critical to the success of any enterprise zone. Enterprise zone administrators should include human resource programs, educational institutions, business associations, financial institutions, and others in all phases of enterprise zone development. Early participation of these groups in planning and development stages is particularly important.

- Marketing the enterprise zone is one of the most important activities that should be coordinated among development and human resource programs. Joint development of marketing materials and joint calls to employers helps ensure a comprehensive approach to zone development.

- Economic development and enterprise zone programs not only should coordinate with human resource and education programs, but also with other agencies and organizations that administer: transportation, housing, public works, and social services. Although these programs may represent "softer", less direct economic development factors, they nevertheless are important in providing services, and in supporting the overall marketability of the zones.

Working Group participants also provided some recommendations directed to state and national policymakers:

- There is an overwhelming need for retraining the existing workforce in order to retain businesses that now exist in enterprise zones. This demands a rethinking of the types of training and the clients that public training programs now serve. Most Working Group participants felt that it was crucial to expand public training programs to allow retraining of the current workforce.

- Cities need flexible money to work with. Federal programs such as Community Development Block Grants (CDBG's) and Urban Development Action Grants (UDAG's) have provided necessary capital to finance many enterprise zone activities. Moreover, flexible state monies in some states have provided support for additional development incentives in the enterprise zones. Working Group participants unanimously felt that without these funds to provide business incentives and support, enterprise zones as they currently exist, would not have been possible. The CDBG and UDAG programs and state resources must continue to provide flexible funds, said Working Group participants, or the enterprise zone programs will be in jeopardy.

- There needs to be more coordination at the federal level. An executive order that mandates coordination of human resource programs in the SBA, EDA, HUD, DOL and other federal departments and agencies is needed. "Working Group participants said that, the federal people in the field need to start talking to each other."

- Moreover, more needs to be done by federal and state agencies to promote enterprise zones. The Working Group suggested that relevant agencies sponsor workshops, on enterprise zones and on effective coordination in zones, for elected officials as well as practitioners on enterprise zones. Working Group members felt that the best way to stimulate more states to structure effective zones was to, "let the elected officials know that there are some success stories out there."

The enterprise zones represented by the Working Group show that there are in fact "successful zones out there". These enterprise zones and others testify that coordinated, comprehensive approaches are being used to effectively target resources in the zones. The Working Group participants, as well as NAB and NASDA, are anxious for other enterprise zones to implement innovative programs through coordinated approaches.